



**Fuse Cobalt Inc.**

**Interim Consolidated Financial Statements**  
**Quarter 2 – Six months ended 30 June 2021 and 2020**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

**Fuse Cobalt Inc.**  
**Interim Consolidated Statements of Financial Position**  
(Expressed in Canadian dollars)

	Notes	30 June 2021	31 December 2020 (Audited)
<b>ASSETS</b>		\$	\$
<b>Current assets</b>			
Cash	5	861,464	224,547
Amounts receivable		3,540	2,844
Prepaid expenses		9,399	11,397
		874,403	238,788
Exploration and evaluation properties	6	3,788,383	3,787,038
<b>Total assets</b>		<b>4,662,786</b>	<b>4,025,826</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7	25,545	27,046
		25,545	27,046
<b>Equity</b>			
Share capital	9	35,878,477	34,985,398
Contributed surplus	9	7,165,026	7,165,026
Deficit		(38,406,262)	(38,151,644)
<b>Total equity</b>		<b>4,637,241</b>	<b>3,998,780</b>
<b>Total equity and liabilities</b>		<b>4,662,786</b>	<b>4,025,826</b>

Nature of operations and going concern (Note 1), Commitments and contingencies (Note 14) and Subsequent events (Note 16).

**APPROVED BY THE BOARD:**

“Konstantin Lichtenwald”  
Konstantin Lichtenwald

“Ryan Goodman”  
Ryan Goodman

The accompanying notes are an integral part of these financial statements.

# Fuse Cobalt Inc.

## Interim Consolidated Statements of Loss and Comprehensive Loss

For the six months ended 30 June 2021 and 2020

(Expressed in Canadian dollars)

	Notes	Three months ended 30 June 2021	Three months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020
		\$	\$	\$	\$
<b>Administration expenses</b>					
Accounting and audit fees		-	5,037	-	5,037
Consulting fees		50,500	80,873	105,800	119,109
Corporate development		-	10,500	-	85,500
Legal fees		-	-	214	-
Marketing & communications		-	101,948	107,032	112,709
Office expenses		3,964	20,881	11,397	31,135
Rent		6,000	4,500	9,000	4,500
Share-based payments		-	-	-	94,371
Transfer agent & regulatory fees		9,441	49,727	25,336	88,799
Travel, lodging and food		-	904	896	904
<b>Loss before other items</b>		<b>(69,905)</b>	<b>(274,370)</b>	<b>(259,676)</b>	<b>(542,064)</b>
<b>Other income (expense)</b>					
Foreign exchange gain		(178)	328	1,601	328
Interest and other income		-	-	-	-
Part XII.6 interest expense		3,457	-	3,457	-
<b>Net loss and comprehensive loss for the period</b>		<b>(66,626)</b>	<b>(274,041)</b>	<b>(254,617)</b>	<b>(541,735)</b>
<b>Loss per share</b>					
Basic and diluted		<b>(0.001)</b>	<b>(0.003)</b>	<b>(0.002)</b>	<b>(0.010)</b>

The accompanying notes are an integral part of these financial statements.

**Fuse Cobalt Inc.**  
**Interim Consolidated Statements of Cash Flows**  
**For the six months ended 30 June 2021 and 2020**  
(Expressed in Canadian dollars)

	Notes	Six months ended 30 June 2021	Six months ended 30 June 2020
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(254,617)	(541,735)
Adjustment for:			
Share-based payments		-	94,371
Issuance of shares as finder's fee		-	73,957
Changes in operating working capital:			
Decrease (increase) in amounts receivable		(696)	(4,864)
Decrease (increase) in prepaid expenses		1,998	(10,260)
Increase (decrease) in trade and other payables		(1,495)	(100,221)
<b>Cash used in operating activities</b>		<b>(254,810)</b>	<b>(488,752)</b>
<b>INVESTING ACTIVITIES</b>			
Exploration and evaluation properties expenditures	6	(1,345)	(50,063)
<b>Cash from in investing activities</b>		<b>(1,345)</b>	<b>(50,063)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of common shares, net	9	-	680,000
Exercise of warrants	9	490,572	276,375
Exercise of options	9	402,500	70,000
<b>Cash from financing activities</b>		<b>893,071</b>	<b>1,026,375</b>
<b>Increase in cash and cash equivalents</b>		<b>636,916</b>	<b>487,560</b>
Cash and cash equivalents, beginning of period		224,547	34,591
<b>Cash and cash equivalents, end of period</b>		<b>861,464</b>	<b>522,151</b>

Supplemental cash flow information (Note 11)

The accompanying notes are an integral part of these financial statements.

# Fuse Cobalt Inc.

## Interim Consolidated Statements of Changes in Equity

For the six months ended 30 June 2021 and 2020

(Expressed in Canadian dollars)

	Notes	Number of common shares	Common shares	Contributed Surplus	Deficit	Total
			\$	\$	\$	\$
<b>Balances, 31 December 2019</b>		<b>27,491,566</b>	<b>33,385,619</b>	<b>6,511,947</b>	<b>(36,528,431)</b>	<b>3,369,135</b>
Shares issued for:						
Cash	9	4,676,717	62,900	52,700	-	115,600
Exercise of options	9	900,000	70,000	-	-	70,000
Finder's fees	9	2,500,000	-	-	-	-
Share-based payments	9	-	-	94,371	-	94,371
Share issue costs	-	-	-	-	-	-
Net loss for the period		-	-	-	(267,693)	(267,693)
<b>Balances, 30 June 2020</b>		<b>35,568,283</b>	<b>33,518,519</b>	<b>6,659,019</b>	<b>(36,796,124)</b>	<b>3,381,413</b>
Shares issued for:						
Cash	9	22,523,283	307,099	257,299	-	564,398
Exercise of options	9	1,100,000	67,306	(62,306)	-	5,000
Exercise of warrants	9	18,409,832	882,922	(291,280)	-	591,642
Finder's fees	9	345,000	-	-	-	-
Mineral properties	9	5,000,000	225,000	-	-	225,000
Services	9	200,000	5,000	-	-	5,000
Share issue costs	9	-	(20,449)	20,449	-	-
Net loss for the period		-	-	-	(1,355,519)	(1,355,519)
<b>Balances, 31 December 2020</b>		<b>83,146,398</b>	<b>34,985,398</b>	<b>7,165,026</b>	<b>(38,151,644)</b>	<b>3,998,780</b>
Shares issued for:						
Common shares	9	-	-	-	-	-
Exercise of warrants	9	16,821,500	490,578	-	-	490,578
Exercise of options	9	10,399,999	402,500	-	-	402,500
Share-based payments	9	-	-	-	-	-
Net loss for the period		-	-	-	(254,617)	(254,617)
<b>Balances, 30 June 2021</b>		<b>110,367,897</b>	<b>35,878,477</b>	<b>7,165,026</b>	<b>(38,406,261)</b>	<b>4,637,241</b>

The accompanying notes are an integral part of these financial statements.

**Fuse Cobalt Inc.**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months ended 30 June 2021 and 2020**  
(Expressed in Canadian dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Fuse Cobalt Inc. (the “Company”) was incorporated in Manitoba on 11 February 1998 and continued into British Columbia on 31 May 2016. The Company currently holds interests in exploration and evaluation properties in the province of Ontario, Canada and the state of Nevada, USA. The Company is an exploration stage company which is engaged in the acquisition, exploration and development of energy metals projects. The Company is listed on the TSX Venture Exchange (“TSXV”) having the symbol FUSE, as a Tier 2 mining issuer and is in the process of exploring its mineral properties.

The head office and principal address is located at Suite 1220, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

On 17 January 2020, the Company consolidated its share capital by issuing one (1) new common share without par value for every two (2) existing common shares without par value basis.

On 27 June 2020, the Company forward split its share capital by issuing two (2) new common shares without par value for every one (1) existing common share without par value basis.

**1.1 Going concern**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company had cash of \$861,464 at 30 June 2021 (31 December 2020: \$224,547), but management cannot provide assurance that the Company will ultimately achieve profitable operations, or raise additional debt and/or equity capital.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds. The Company is in the process of exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company’s continuing operations and the underlying value and recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production from or proceeds from the disposition of its mineral property interests. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate and such adjustments could be material.

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**Notes to the Consolidated Financial Statements**  
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**2. BASIS OF PREPARATION**

**2.1 Basis of presentation**

These consolidated financial statements include the accounts of the Company and its 100% wholly owned subsidiary Fuse Cobalt USA Inc. (“Fuse USA”). Fuse USA was incorporated in the state of Nevada. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value (Note 12).

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary, and all values are rounded to the nearest dollar.

**2.2 Statement of compliance**

The interim financial statements of the Company have been prepared in accordance with International Accounting Standards (“IAS”) 34, ‘*Interim Financial Reporting*’ using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

**2.3 Approval of the financial statements**

The consolidated financial statements of the Company for the period ended 30 June 2021 were approved and authorized for issue by the Board of Directors on 17 August 2021.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Accounting standards issued but not yet effective**

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s consolidated financial statements.

**3.2 Foreign currency transactions**

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect on that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently remeasured.

# **Fuse Cobalt Inc.**

## **Notes to the Consolidated Financial Statements**

### **For the six months ended 30 June 2021 and 2020**

(Expressed in Canadian dollars)

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#### **3.3 Restricted cash**

The Company, from time to time, issues flow-through shares and renounces qualified exploration expenditures to the subscribers of such shares. Amounts renounced but not yet expended form the basis for the restricted cash.

#### **3.4 Revenue recognition**

The Company recognizes revenue in accordance with IFRS 15 Revenue. Revenue is recognized when it is probable that any future economic benefit associated with the item of revenue will flow to the Company, and the amount of revenue can be measured with reliability. Outsourced exploration revenue is recognized on the accrual basis as services are provided in accordance with relevant agreements.

#### **3.5 Exploration and evaluation properties**

Following the acquisition of a legal right to explore a property, all direct costs related to the acquisition of the property are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Mineral property acquisition costs include cash consideration and the fair market value of common shares issued for mineral property interests based on the trading price of the shares. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. Once commercial production has commenced, the net costs of the applicable property, will be charged to operations using the unit-of-production method based on reserves. Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in the statement of comprehensive loss for the period. On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration work that is warranted in the future. Impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

- i) The Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
- ii) Exploration results are not promising and no more work is being planned in the foreseeable future; or
- iii) The remaining lease terms are insufficient to conduct necessary studies or exploration work.

Once impairment has been determined, the carrying value will be written-down to net recoverable amount. When the carrying value of the property exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell and value in use, the asset is written down accordingly. As a result, the direct costs related to the acquisition of mineral property interests in excess of estimated recoveries are written off to impairment of exploration and evaluation properties in the statement of loss and comprehensive loss.

The Company enters into property option agreements, whereby the Company will transfer part of a mineral interest, as consideration for the incurring of certain exploration and evaluation expenditures by the optionee which would otherwise have been undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the property, with any excess cash accounted for as a gain on disposal.



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**3.6 Impairment of long-lived assets**

The recoverability of long-lived assets is assessed when an event occurs that indicates impairment. Recoverability is based on factors such as future asset utilization and the future discounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset will not be recoverable. At that time, the carrying amount is written down to the recoverable amount, which equals the higher of fair value less costs to sell and value in use. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**3.7 Financial instruments**

The following is the Company's accounting policy for financial instruments under IFRS 9:

*(i) Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

*(ii) Measurement*

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

*Debt investments at FVOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in

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profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

*Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

*(iii) Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*(iv) Derecognition*

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

*Financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

**3.8 Decommissioning, restoration and similar liabilities**

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of exploration and evaluation properties and retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset, and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the current market assessments of the time value of money are used to calculate the net present value.

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The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision.

**3.9 Income taxes**

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**3.10 Share capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

**3.11 Flow-through shares**

The Company, from time to time, issues flow-through common shares to finance a portion of its exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium reversal is recognized as a reduction in the deferred tax expense and the related deferred tax is recognized as a tax provision.

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Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian resource property exploration expenditures, within the prescribed period. The portion of proceeds received but not yet expended at the end of the period is disclosed separately within restricted cash.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada income tax regulations. When applicable, this tax is accrued as a financial expense until paid.

**3.12 Loss per share**

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

**3.13 Share-based payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares, in which case they are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the

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payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**3.14 Leases**

IFRS 16, “Leases”. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. This Company had no leases that qualified under IFRS 16 during the period ended 30 June 2021 and year ended 31 December 2020.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the carrying value of exploration and evaluation properties, the valuation of all liability and equity instruments including warrants and stock options, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern.

**5. CASH**

The Company’s cash is denominated in the following currencies:

	<b>30 June 2021</b>	31 December 2020
	\$	\$
Denominated in Canadian dollars	<b>849,321</b>	212,025
Denominated in U.S. dollars	<b>12,143</b>	12,522
<b>Total cash</b>	<b>861,464</b>	224,547

## Fuse Cobalt Inc.

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(Expressed in Canadian dollars)

#### 6. EXPLORATION AND EVALUATION PROPERTIES

Exploration and evaluation properties includes the following amounts for the period ended 30 June 2021:

	<b>Glencore Bucke Cobalt</b>	<b>Teledyne Cobalt</b>	<b>Teels Marsh</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ACQUISITION COSTS</b>				
Balance, 1 January 2021	380,000	2,010,000	-	<b>2,390,000</b>
Additions	-	-	-	-
<b>Balance, 30 June 2021</b>	<b>380,000</b>	<b>2,010,000</b>	<b>-</b>	<b>2,390,000</b>
<b>EXPLORATION AND EVALUATION COSTS</b>				
Balance, 1 January 2021	695,885	623,569	77,583	<b>1,397,037</b>
Assaying	-	-	-	-
Engineering and consulting	-	-	-	-
Field expenses	-	-	-	-
Geological	-	-	-	-
Maintenance, claim fees	-	1,345	-	<b>1,345</b>
<b>Balance, 30 June 2021</b>	<b>695,885</b>	<b>624,914</b>	<b>77,583</b>	<b>1,398,382</b>
<b>Total costs – 30 June 2021</b>	<b>1,075,885</b>	<b>2,634,914</b>	<b>77,583</b>	<b>3,788,383</b>

## Fuse Cobalt Inc.

### Notes to the Interim Consolidated Financial Statements

For the six months ended 30 June 2021 and 2020

(Expressed in Canadian dollars)

Exploration and evaluation properties includes the following amounts for the year ended 31 December 2020:

	Glencore Bucke Cobalt	Teledyne Cobalt	Teels Marsh	Total
	\$	\$	\$	\$
<b>ACQUISITION COSTS</b>				
Balance, 1 January 2020	380,000	1,785,000	-	2,165,000
Additions	-	225,000	-	225,000
Balance, 31 December 2020	380,000	2,010,000	-	2,390,000
<b>EXPLORATION AND EVALUATION COSTS</b>				
Balance, 1 January 2020	692,705	596,147	-	1,288,852
Assaying	691	760	904	2,355
Engineering and consulting	2,100	21,350	13,671	37,121
Field expenses	-	1,782	803	2,585
Geological	-	3,530	-	3,530
Maintenance, claim fees	389	-	62,206	62,594
Balance, 31 December 2020	695,885	623,569	77,583	1,397,037
<b>Total costs – 31 December 2020</b>	<b>1,075,885</b>	<b>2,633,569</b>	<b>77,583</b>	<b>3,787,038</b>

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**Canada:**

***Glencore Bucke Cobalt Project:***

On 31 August 2017, the Company entered into a property purchase agreement to acquire a 100% interest from Glencore Canada Corporation in the Glencore Bucke Property, situated in Bucke Township, 6 km east-northeast of Cobalt, Ontario, subject to a back-in provision, production royalty and off-take agreement.

In order to earn the 100% interest in the mineral claims, the Company is required to issue shares and make payments as follows:

	<b>Cash Payment</b>	<b>Expenditures</b>
	\$	\$
Upon signing (paid)	75,000	-
On or before 28 February 2018 (paid and incurred)	350,000	250,000
	<b>500,000</b>	<b>250,000</b>

The agreement is subject to a 3.5% Net Smelter Royalty (“NSR”). One-half of the royalty can be purchased for \$1,000,000.

On 28 February 2018, the Company paid \$350,000 and completed its obligations under the property purchase agreement.

On 7 May 2018, the Company entered into a property option agreement with Surge Exploration Inc. (“Surge”) whereby Surge can acquire the right to earn an undivided and up to 60% interest in to the Glencore Bucke Claims and Teledyne Claims located in the Timiskaming District of the Province of Ontario. The option agreement is “non-arms length” and is a related party transaction due to an officer in common between Surge and the Company.

Pursuant to the terms of the Option Agreement, Surge has 24 months within which to exercise the option as follows:

	<b>Cash Payment</b>	<b>Share issuances</b>	<b>Expenditures</b>
	\$		\$
Upon Exchange Approval (received)	240,000	100,000	-
On or before two years anniversary	-	-	1,536,000
	<b>240,000</b>	<b>100,000</b>	<b>1,536,000</b>

On 24 February 2020, the Company negotiated the early termination of the Option Agreement originally announced on 7 May 2018 with Surge. The Company will retain 100% interest in the property by the early cancellation of the Option Agreement and all rights in regards to the property will revert back to the Company upon the Company issuing to Surge 5,000,000 common shares (issued with a fair value of \$225,000) (Note 9).



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***Teledyne Cobalt Project:***

On 8 September 2016, the Company entered into an option agreement with New Found Gold Corp. (formerly Palisade Resources Corp.) to acquire a 100% interest, in and to certain mineral claims located in Timiskaming, Ontario subject to a 2% NSR upon commencement of commercial production.

On 2 April 2018, the Company and New Found Gold Corp. signed an amending agreement for the Teledyne Cobalt Project:

In order to earn the 100% interest in the mineral claims, the Company was required to issue 500,000 shares (issued) and make payments of \$750,000 (paid).

**United States:**

***Teels Marsh Project:***

On 24 June 2020, the Company acquired by staking 100 placer claims covering 2,000 acres (809 hectares) at Teels Marsh, Nevada, 100% owned without any royalties. The Company will pay finder's fees of 200,000 shares in connection with a finder's fee agreement for locating and acquiring the Teels Marsh West Project (Note 9).

**7. TRADE AND OTHER PAYABLES**

The Company's trade payables and accrued liabilities are principally comprised of amounts for administrative activities. These are broken down as follows:

	<b>30 June 2021</b>	31 December 2020
	\$	\$
Trade payables	545	7,046
Due to related parties (Note 8)	-	-
Accrued liabilities	25,000	20,000
<b>Total trade and other payables</b>	<b>25,545</b>	<b>27,046</b>

**8. RELATED PARTY TRANSACTIONS**

For the period ended 30 June 2021, the Company had transactions with the following companies related by way of directors, officers or shareholders in common:

- Nevada, a company with a director in common with the Company. Nevada shares the same office space with the Company. The Company has entered into various mineral property option agreements with Nevada (Note 6).

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**8.1 Key management personnel compensation**

The remuneration of directors and other members of key management for the periods ended 30 June 2021 and 2020 are as follows:

<b>30 June</b>	<b>2021</b>	<b>2020</b>
	\$	\$
Short-term benefits – consulting and corporate development fees	<b>62,000</b>	83,241
Share-based payments	-	22,955
<b>Total key management personnel compensation</b>	<b>62,000</b>	106,196

**8.2 Related party transactions are summarized as follows:**

	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Consulting fees to the new President and Chief Executive Officer (“CEO”)	<b>6,000</b>	<b>9,241</b>
Consulting fees to Chief Financial Officer (“CFO”)	<b>26,000</b>	<b>21,000</b>
Consulting fees to the Corporate Secretary	<b>30,000</b>	<b>53,000</b>
<b>Total related party expenses</b>	<b>62,000</b>	<b>83,241</b>

**8.3 Due to related parties**

The liabilities of the Company include the following amounts due to related parties:

	<b>30 June 2021</b>	<b>31 December 2020</b>
Corporate Secretary	\$	\$
	-	1,140
<b>Total amount due to related parties (Note 7)</b>	<b>-</b>	<b>1,140</b>

**9. SHARE CAPITAL**

**9.1 Authorized share capital**

The Company has an authorized share capital of an unlimited number of common shares with no par value.

As at 30 June 2021, the Company had 110,367,897 common shares issued and outstanding (31 December 2020: 83,146,398).

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**9.2 Share issuance**

a) Private Placements

- On 31 March 2020, the Company issued 3,200,000 non flow-through (“NFT”) units at a price of \$0.025 per unit for cash proceeds of \$80,000. Each NFT unit is comprised of one NFT common share of the Company and one warrant exercisable during the five years following the closing to purchase one additional NFT common share for \$0.033. The Company allocated a fair value of \$36,520 to the warrants. The Company paid finder’s fees of 320,000 NFT common shares and 160,000 finders’ warrants (Note 11). The fair value of the finders’ warrants was estimated at \$5,375 using the Black-Scholes Option Pricing Model.
- On 6 February 2020, the Company issued 24,000,000 NFT units at a price of \$0.025 per unit for cash proceeds of \$600,000. Each NFT unit is comprised of one NFT common share of the Company and one warrant exercisable during the five years following the closing to purchase one additional NFT common share for \$0.025. The Company allocated a fair value of \$273,480 to the warrants. The Company paid finder’s fees of 2,525,000 NFT common shares and 600,000 share purchase warrants (Note 11). The fair value of the finders’ warrants was estimated at \$15,074 using the Black-Scholes Option Pricing Model.

b) Exercise of Options

- During the period ended 30 June 2021, the Company issued 10,400,000 common shares related to the exercise of 10,400,000 stock options at an exercise price between \$0.025 to \$0.070 per share.
- During the previous year ended 31 December 2020, the Company issued 2,000,000 common shares related to the exercise of 2,000,000 stock options at an exercise price between \$0.025 to \$0.050 per share.

c) Exercise of Warrants

- During the period ended 30 June 2021, the Company issued 16,821,500 common shares related to the exercise of 16,821,500 warrants at an exercise price between \$0.025 to \$0.075 per share.
- During the previous year ended 31 December 2020, the Company issued 18,409,832 common shares related to the exercise of 18,409,832 warrants at an exercise price between \$0.025 to \$0.045 per share.

d) Exploration and Evaluation Property Acquisition

- On 26 February 2020, the Company issued 5,000,000 common shares valued at \$225,000, pursuant to the early cancelation of the option agreement in Teledyne Cobalt Project (Notes 6 and 11).

# Fuse Cobalt Inc.

## Notes to the Consolidated Financial Statements For the six months ended 30 June 2021 and 2020 (Expressed in Canadian dollars)

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### e) Services

- On 27 July 2020, the Company issued 200,000 common shares valued at \$5,000, in connection with a finder's fee agreement for locating and acquiring the Teels Marsh Project (Note 6).

### 9.3 Stock option plan

Effective 8 August 2016, the Company has adopted a stock option plan whereby it is authorized to grant options to executive officers and directors, employees and/or consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. Effective 18 October 2017, the aggregate maximum number of common shares issuable under the plan is 13,267,312 common shares. The aggregate number of options granted to one optionee in a 12-month period is limited to 20% of the issued common shares of the Company.

The exercise price of any options granted under the plan will be determined by the Board of Directors, at its sole discretion, but shall not be less than the last closing price of the Company's common shares on the day before the date on which the Directors grant such options.

The following is a summary of the changes in the Company's stock option activities for the period ended 30 June 2021 and year 31 December 2020:

	30 June 2021		31 December 2020	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding, beginning of year	13,035,000	\$ 0.051	135,000	\$ 0.789
Granted	-	-	15,000,000	0.043
Exercised	(10,400,000)	0.039	(2,000,000)	0.038
Cancelled	-	-	(100,000)	0.055
<b>Outstanding, end of period</b>	<b>2,635,000</b>	<b>0.081</b>	13,035,000	0.051
<b>Exercisable, end of period</b>	<b>2,635,000</b>	<b>0.081</b>	13,035,000	0.051

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The following table summarizes information regarding stock options outstanding and exercisable as at 30 June 2021:

Exercise price	Number of options outstanding	Number of options exercisable	Weighted-average remaining contractual life (years)	Weighted-average exercise price
<b>Options</b>				\$
\$0.025	1,500,000	1,500,000	3.86	0.025
\$0.070	1,000,000	1,000,000	4.34	0.070
\$0.600	45,000	45,000	0.44	0.600
\$0.800	60,000	60,000	1.41	0.800
\$1.050	30,000	30,000	1.88	1.050
<b>Total</b>	<b>2,635,000</b>	<b>2,635,000</b>		<b>0.081</b>

The weighted average fair value of the options granted during the period ended 30 June 2021 was estimated at \$Nil per option (2020: \$0.05) at the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

	2021	2020
Risk free interest rate	-	1.84%
Expected life	-	2.5 years
Expected volatility	-	166.89%
Expected dividend per share	-	-

#### 9.4 Share purchase warrants

The following is a summary of the changes in the Company's share purchase warrants for the period ended 30 June 2021 and year 31 December 2020:

	30 June 2021		31 December 2020	
	Number of warrants	Weighted-average exercise price	Number of warrants	Weighted-average exercise price
Outstanding, beginning of year	16,705,826	\$ 0.028	8,642,491	\$ 0.047
Granted	-	-	27,960,000	0.026
Exercised	(16,505,826)	0.029	(18,409,832)	0.032
Expired	-	-	(1,486,833)	0.045
<b>Outstanding, end of period</b>	<b>200,000</b>	<b>0.033</b>	<b>16,705,826</b>	<b>0.028</b>

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During the period ended 30 June 2021, in conjunction with the private placements, the Company issued a total of Nil (31 December 2021: \$27,960,000) share purchase warrants.

The following table summarizes information regarding share purchase warrants outstanding and exercisable as at 30 June 2021:

<b>Exercise price</b>	<b>Number of warrants outstanding</b>	<b>Weighted-average remaining contractual life (years)</b>	<b>Weighted-average exercise price</b>
<b>Share purchase warrants</b>			\$
\$0.033	200,000	0.80	0.033
<b>Total</b>	<b>200,000</b>	<b>0.80</b>	<b>0.033</b>

The weighted average fair value of the warrants granted during the period ended 30 June 2021 was estimated at \$Nil per warrant (2020: \$0.03) at the grant date using the Black-Scholes Pricing Model. The weighted average assumptions used for the calculation were:

	<b>30 June 2021</b>	31 December 2020
Risk free interest rate	-	1.84%
Expected life	-	2.5 years
Expected volatility	-	168.66%
Expected dividend per share	-	-

**10. LOSS PER SHARE**

The calculation of basic and diluted loss per share is based on the following data:

	<b>Three months ended 30 June 2021</b>	Three months ended 30 June 2020	<b>Six months ended 30 June 2021</b>	Six months ended 30 June 2020
Net loss for the period	\$ (66,626)	\$ (274,041)	\$ (254,617)	\$ (541,735)
Weighted average number of shares – basic and diluted	131,895,146	84,663,562	107,655,4383	56,077,563
<b>Loss per share, basic and diluted</b>	<b>\$ (0.001)</b>	<b>\$ (0.003)</b>	<b>\$ (0.002)</b>	<b>\$ (0.010)</b>

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, share purchase warrants and convertible debentures, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and warrants were anti-dilutive for the periods ended 30 June 2021 and 2020.

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### 11. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred the following non-cash investing and financing transactions:

During the previous years ended 31 December 2020, the Company paid finder's fees on private placements by issuance of shares and share purchase warrants (Note 9).

During the previous year ended 31 December 2020, the Company paid services by issuance of shares (Note 9).

During the previous year ended 31 December 2020, the Company issued shares for the acquisition of exploration and evaluation properties (Note 9).

During the previous year ended 31 December 2020, the Company had \$2,718 in accounts payable related to exploration and evaluation expenditures.

### 12. FINANCIAL INSTRUMENTS

#### 12.1 Categories of financial instruments

	30 June 2021	31 December 2020
<b>FVTPL, at fair value</b>	\$	\$
Cash	861,464	224,547
<b>Total financial assets</b>	861,464	224,547
<b>FINANCIAL LIABILITIES, at amortized cost</b>		
Trade payables	545	7,046
<b>Total financial liabilities</b>	545	7,046

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

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**12.2 General Objectives, Policies and Processes**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

**12.3 Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of two types of risk: interest rate risk and equity price risk.

**12.4 Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions.

**12.5 Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company's credit risk is also attributable to its receivables. The amounts disclosed in the statement of financial position are net of allowances for bad debts, estimated by the Company's management based on prior experience their assessment of the current economic environment and the financial condition of the Company's debtors.

**12.6 Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by maintaining adequate cash and restricted cash balances. The Company continuously monitors both actual and forecasted cash flows and matches the maturity profile of financial assets and liabilities.

As at 30 June 2021, the Company had a cash balance of \$861,464 (31 December 2020: \$224,547) and receivables of \$3,540 (31 December 2020: \$2,844) to settle current liabilities due in twelve months or less of \$25,545 (31 December 2020: \$27,046) and carry out its planned exploration program in the coming year. Management seeks additional financing through the issuance of equity instruments and liquidation of its marketable securities, either partial or in full, to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.



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**12.7 Currency Risk**

The Company is exposed to currency risk by incurring certain expenditures and holding assets denominated in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk. Assuming all other variables remain constant, a 1% change in the Canadian dollar against the US dollar would not result in a significant change to the Company's operations.

**12.8 Determination of Fair Value**

The carrying amounts for cash, amounts receivable, amounts due to related parties and accounts payable approximate fair value due to their short-term nature.

**13. CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to maintain an appropriate capital base in order to:

1. advance the Company's corporate strategies to create long-term value for its stakeholders;
2. sustain the Company's operations and growth throughout metals and materials cycles; and
3. ensure compliance with the covenants of any applicable credit facility and other financing facilities used from time to time.

The Company monitors its capital and capital structure on an ongoing basis to ensure it is sufficient to achieve the Company's short-term and long-term strategic objectives. Management primarily funds the Company's exploration by issuing share capital, rather than using other capital sources that require fixed repayments of principal and interest. Management closely monitors its cash balance. The balance of cash as at 30 June 2021 was \$861,464 (31 December 2020: \$224,547). The Company does not currently have significant debt outstanding and there are presently no formal capital requirements with which the Company has not complied.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the period ended 30 June 2021.

**14. COMMITMENTS AND CONTINGENCIES**

- a) As at 30 June 2021, the Company has \$217,299 (31 December 2020: \$218,644) remaining to be spent on qualifying Canadian exploration expenditures under the terms of the flow-through share agreements (Note 9).
- b) The Company has indemnified the subscribers of flow-through shares of the Company issued in prior years against any tax related amounts that may become payable as a result of the Company not making eligible expenditures.
- c) The Company's exploration and evaluation activities are subject to various Canadian federal and provincial laws and regulations governing the protection of the government. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its

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operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

- d) The Company has certain commitments to make payments or issue common shares related to various exploration and evaluation property agreements (Note 6).
- e) As at 30 June 2021, the Company owns various exploration and evaluation properties (Note 6). Management does not consider that any amounts related to decommissioning liabilities are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these obligations in the future.

### 15. SEGMENTED INFORMATION

The Company's only business activity is exploration and development of exploration and evaluation properties carried out in Canada.

The breakdown of geographic area for the period ended 30 June 2021 is as follows:

30 June 2021	Canada	USA	Total
	\$	\$	\$
<b>Total expenses</b>	259,676	-	259,676
Current assets	874,403	-	874,403
Exploration and evaluation properties	3,710,800	77,583	3,788,383
<b>Total assets</b>	4,585,203	77,583	4,662,786

The breakdown of geographic area for the year ended 31 December 2020 is as follows:

31 December 2020	Canada	USA	Total
	\$	\$	\$
<b>Total expenses</b>	1,618,213	5,000	1,623,213
Current assets	238,788	-	238,788
Exploration and evaluation properties	3,709,455	77,583	3,787,038
<b>Total assets</b>	3,948,244	77,583	4,025,827

### 16. SUBSEQUENT EVENTS

There is no reportable subsequent event after the period end 30 June 2021.